United States
Department of Agriculture

Foreign Agricultural Service

March 1987

Foreign Agriculture

Discovering Market Opportunities In the Far East

Marketing News

Renders To Promote Tallow Use In China

The **National Renders Association (NRA)** will sponsor a symposium on March 18-21 in Guangzhou, China. The symposium will bring together techical personnel from China's soap and detergent industries with those from leading companies and research organizations around the world. Discussions will focus on the latest developments in the technology and application of natural base cleaning products and surfactants. For further information, contact NRA headquarters in Des Plaines, Ill. at (312) 827-8151, or Phillip Laney at National Renderers Association, 27 E. Kam Kin Mansion, 123 Caine Rd., Hong Kong, Telex #257887 LANY UR.

SUSTA Plans Overseas In-Store Promotions

The **Southern United States Trade Association (SUSTA)** is planning several in-store promotions of processed food products in France and Japan this year. These promotions will provide opportunities for southern U.S. food firms to introduce their products to these markets or further enhance their positions there.

In France, promotions will be staged with the Hediard and Casino retail groups. The eight-day Hediard promotion is scheduled for 14 stores at the end of September, and will be the lead-in for the month-long Casino promotion during October in 27 hypermarkets throughout France. The hypermarkets sell a wide range of products and have huge food halls. The Albert Menes group in France is assisting SUSTA with the arrangements for these two events.

In Japan, a promotion will take place in November with the Nichii Company. SUSTA officials met with six Nichii company representatives last fall to begin preparations for the promotion. Nichii had sales of nearly $6 billion in their 187 stores in 1985. The SUSTA promotion will target 40 of their biggest stores throughout Japan.

For more information, contact SUSTA, World Trade Center, Suite 346, New Orleans, La. 70130. Tel. (504) 568-5986; Telex 287859 SUSTA UR.

Plywood Group Opens Japanese Office

Under the terms of a multi-year $1.95-million market promotion program for U.S. wood products in Japan, Richard R. Skorick has been retained in Tokyo to represent the U.S. wood industry and the **American Plywood Association (APA)**.

Skorick was project director last year for the construction in Tokyo of Summit House '86, a three-story wood frame model house incorporating a wide variety of U.S. wood products and systems. He is a U.S.-trained architect fluent in Japanese and experienced in all aspects of timber frame construction.

Summit House '86 was directed by APA and sponsored by the Foreign Agricultural Service. Since its dedication in May, it has been visited by more than 20,000 persons, including large numbers of Japanese construction industry leaders, government officials and specifiers.

For more information, contact Skorick at Tameike Tokyu Bulding-7th Floor, 1-1-14 Akaska, Minato-ku, Tokyo Japan 107. Tel. 81 03 589-1320; Telex: J29180 ATO TOKYO; FAX: 81 03 505-6710.

First Sale of California Rice Is Success in Papua New Guinea

Papua New Guinea has opened its doors to U.S. rice, thanks in part to the marketing efforts of Pacific International Rice Mills, Inc. (PIRMI), of Woodland, Calif. The first commercial shipment was 1,200 metric tons of California's Calrose variety. A subsequent shipment contained 500 tons of rice.

Extensive preliminary work was undertaken in 1985 to determine the feasibility of selling California rice in this market. The research showed the political and trade climate in Papua New Guinea to be favorable for U.S. products.

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Selling Pork to Japan Requires Product Tailoring

By Lynn Knipe

When it comes to buying meat, the Japanese are very conscious of product quality and freshness. The pork market is no exception.

If the United States is to become competitive in the Japanese fresh and fresh-frozen pork market, packers and processors need to tailor their products to meet Japanese demands.

This was one of the recommendations made during a recent seminar in Iowa on the Japanese pork market. The seminar, attended by U.S. packers, processors and representatives of state departments of agriculture, covered both marketing and technical aspects of exporting fresh, fresh-frozen and processed meats to Japan.

The seminar was organized under a joint project between the U.S. Meat Export Federation's (MEF) Tokyo office and Iowa State University's Meat Export Research Center. It provided the following expert tips to exporters interested in the Japanese pork market.

Tips for Exporters

U.S. exporters must consider two points when they try to sell to the Japanese: They must understand the way the Japanese market works, and they must supply a product acceptable to Japanese consumers' highly discerning tastes.

The first consideration in trying to sell pork in Japan is to identify the right trading company. There are about 36 major Japanese trading companies and most have offices in the United States. The U.S. Meat Export Federation or the Meat Export Research Center can help you get acquainted with one of them.

It is important to make personal contacts with the trading company's home office in Japan as well—to establish rapport with the trading company and to become more familiar with Japanese culture.

Personal relationships between business partners are much more important in Japan than in the United States.

The Japanese trading company will want to look at samples of your product and will likely want to visit your plant. Plant visits are a very important detail if you are serious about exporting to Japan.

Know the Japanese Distribution System

An understanding of the Japanese distribution system and the variable levy system also is critical to the success of U.S. exporters. Only about 1 percent of the pork is moved on direct-access basis to the supermarkets. Imported fresh pork generally moves from a foreign packer to a trading company, and then to the ultimate distribution point.

Direct access distribution has many advantages, particularly when a company is trying to establish brand identity for products.

The purpose of the variable levy is to prevent lower priced imported pork from undercutting the price of Japanese meat. Therefore, competitively priced pork is penalized the most by this system.

The variable levy is applied to fresh and fresh-frozen pork at 5 percent of the c.i.f. price, and to ham and bacon at 10 percent. Sausage and canned hams or canned luncheon meats are assessed a flat 25-percent duty.

The variable levy system has encouraged exporters to sell mixed loads to meet the established "gate price." Exporters interested in finding out more about Japan's complex variable levy system should contact the U.S. Meat Export Federation at the address provided below.

Inspection Certificates a Must

Japan requires inspection certificates for fresh-frozen pork. Available through USDA inspectors, these certificates indicate the name and address of the company slaughtering and breaking, and the dates of slaughter and inspection.

Some typical complaints from Japanese importers include a higher percentage of pale-colored soft product, knife cuts or gouges and inconsistent piece sizes.

U.S. exporters should follow the lead set by competitors, which includes tailoring products to meet Japanese demands. For instance, Danish cutting methods, which produce cuts not common to the United States such as a collar butt, are preferred in Japan.

In addition, the Japanese prefer fresh to frozen meat. There has been considerable interest in purchasing fresh meat even for processing.

Processing Pork Has Special Requirements

Japan's Ministry of Health and Welfare requires that all imported processed meats be "coliform negative." The Ministry randomly checks imported products, particularly ones new to the market, but also expects processing companies to monitor their own products for coliforms.

The second requirement is that cured products must not contain more than 70 parts per million (ppm) residual sodium nitrite. This is not a problem for U.S. meat processors, however, since most of their processed meat products contain less than 70 ppm after cooking/smoking.

A third requirement is that a "heated" or cooked meat product must be heated to an internal temperature of 145 degrees F and then held at that temperature or higher for a minimum of 30 minutes.

Other requirements include specified water activity levels of different products, and restrictions on ingredients such as antioxidants.

For more complete information on Japanese food regulations, contact the Japan External Trade Organization (JETRO) in Chicago at (312) 527-9000 or the Meat Export Research Center (address is given below).

Other than safety requirements, there are no other mandatory regulations for meat products. However, there are numerous voluntary regulations for products bearing various logos. These logos would include, for example, the Japanese Agricultural Standard (JAS) emblem, which guarantees a minimum standard of quality, and the "Handmade" label, which indicates a very high quality.

Making Products More Appealing

While processed meats from the United States are considered to be of high quality in Japan, some changes in U.S. products could make them even more appealing to Japanese consumers. These include smaller retail package sizes, less salt and Japanese labeling.

Japanese people eat smaller portions of meat at each meal than Americans do, and prefer a wide variety of foods. Japanese people also are interested in only the freshest of meat products.

Because of their interest in freshness and variety, Japanese consumers are accustomed to shopping frequently, and often will buy just enough of each item for one meal. A U.S. exporter, therefore, should consider using smaller retail packages for all processed meat products.

Make Your Product Less Salty

Japanese tastes must be considered in preparing products for that market. The major criticism of U.S. products by Japanese consumers is that they are too salty.

Japanese meat products contain much less salt than most U.S. products, but are rather sweet. Tests by the Meat Export Research Center have shown that to duplicate the flavor of Japanese sausage, a salt content of 1.75 percent and a sugar content of 1.25 percent are needed.

Ham products in Japan contain close to 2.5 percent salt, which is almost totally masked with sugar. However, there also are regional differences in flavor preference.

A single product formulation will likely not work in all regions of Japan. For example, people in Kanto (Tokyo) prefer saltier foods than people in Kansai (Osaka). With lower salt formulations, the proper seasoning of sausage is more important. Japanese sausages are only moderately seasoned.

Use Japanese Labeling

All packages will need a Japanese label, which includes such things as an ingredient listing, handling instructions and production date. Labels are verified by the Japan Meat Processors Association (No. 5-6, 1-chome, Ebisu, Shibuya-ku, Tokyo, Japan).

As with fresh-frozen meats, Japanese consumers are concerned with processed meat freshness. As a result, consumers demand and supermarkets provide very short expiration dates on packages.

Currently, most Japanese products are pulled from display cases at a maximum of 25 days. Some are pulled as soon as 10 days after production. Obviously, products shipped by water from the United States to Japan will be at least 25 days old before they can be placed in Japanese grocery stores.

Imported products will be evaluated individually by importers to determine length of shelf-life in the Japanese system. While special allowances will likely be made for imported products, the concern for freshness may be a major barrier to exporting processed meats in Japan. Methods for alleviating these problems are presently being studied at the Meat Export Research Center.

Followups to the Seminar

In response to the joint seminar between the Meat Export Research Center and the U.S. Meat Export Federation, a number of U.S. firms are taking a closer look at the Japanese market. One is opening a sales office in Tokyo; several others are preparing product introduction seminars there.

In addition, the Meat Export Research Center and the U.S. Meat Export Federation are planning a seminar for importers in Tokyo to discuss the merits of U.S. pork, and another seminar for U.S. processors later this year.

Exporters interested in more information on the technical aspects of exporting meat to Japan or the seminars should contact any of the following groups:

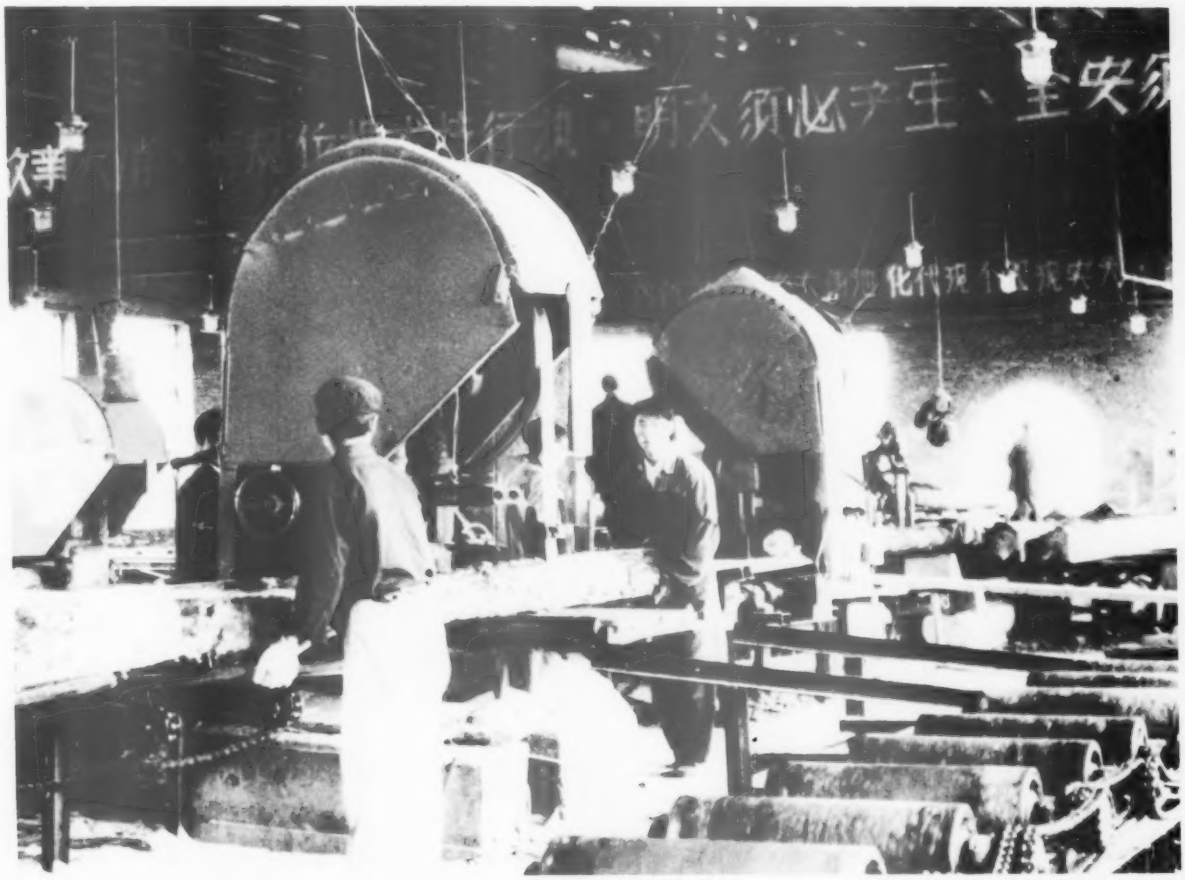
U.S. Meat Export Federation
3333 Quebec Street, Suite 7200
Denver, CO 80207
(303) 399-7151
Telex: 45-0143 USMEF DVR

U.S. Meat Export Federation
(Tokyo Office)
U.S. Agricultural Trade Office
U.S. Embassy
Box 226
APO San Francisco, CA 96503
Tel. 813-584-3911
Telex: 781-291-80

Meat Export Research Center
215 Meat Laboratory
Iowa State University
Ames, IA 50011
(515) 294-7242
Telex: 285796 ■

The author is a meat scientist with the Meat Export Research Center, Iowa State University, Ames, Iowa. Tel. (515) 294-7242.

Forest Products Industry Is Bullish On China's Wood Market



China could become the single largest importer of U.S. wood products, possibly making it a billion-dollar market within the next five years, according to an independent study recently commissioned by the National Forest Products Association and the Foreign Agricultural Service.

The study's estimate triples the $328-million level reached by U.S. wood exports in 1985. Sales did drop in 1986 as a result of China's shortage of foreign exchange, but this is not believed to be indicative of future trends.

By the year 2000, planned wood consumption in China is projected to increase from 17 billion board feet to 35 billion. Even if demand falls short of that projection, the need for increased imports is virtually certain.

China's planners believe that at least 13 percent of planned consumption will consist of imports. This is probably unrealistically low since current imports now account for 12 percent of consumption.

China's Own Resources Dwindling

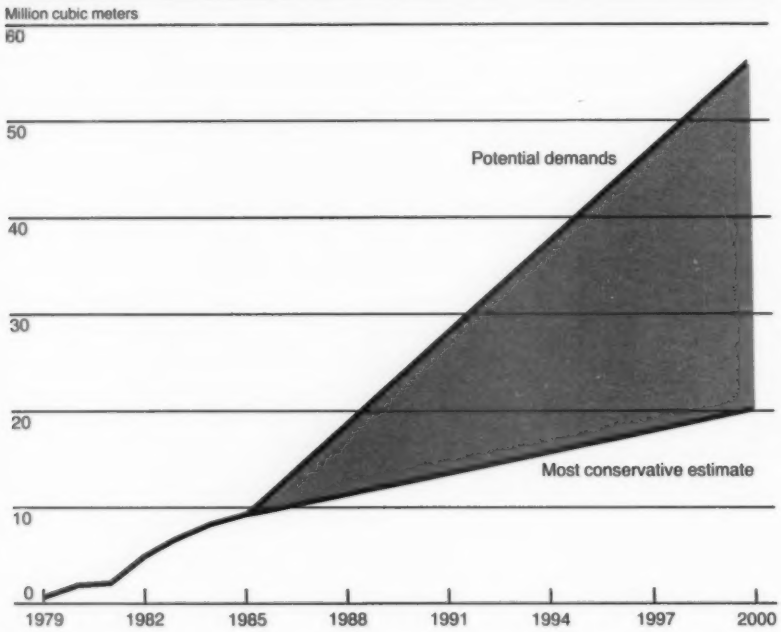
While China does have 99 million hectares of forest land—roughly half the amount of U.S. resources—only 73 percent of that land is available to supply industrial roundwood. Moreover, most of the forestland is in remote areas of the northeast and southwest. Accessible forests are generally poorly stocked and overexploited.

Currently, annual harvests, estimated at 64 billion board feet, appear to exceed annual growth considerably. The proportion of softwoods in the inventory also has been steadily declining, from about 70 percent in 1965 to 58 percent in 1984.

Afforestation Overly Optimistic

To prevent a timber famine, the Ministry of Forestry has initiated an ambitious afforestation program. Work so far has increased the land devoted to forests over the last decade but not enough to meet future needs.

China's Import Needs are Expected to Grow Dramatically



China's plans are to increase forest cover by 20 percent of the total land base by the year 2000. Another goal is to produce over 22 billion board feet of timber inside the State Plan, roughly twice the current production rates.

However, illegal logging, which accounts for over a third of wood consumption in China, hinders these objectives.

To preserve domestic timber supplies, government policy discourages the use of wood products. Use of concrete, plastics, steel and cardboard are encouraged where wood might otherwise be used. The effectiveness of this policy is questionable.

China's supply problem is compounded by the type and limited capacity of its sawmills. Maximum output from China's industry is estimated to be only 10.5 million board feet.

Refurbishment and new construction could double the capacity by 1990. However, that level is not likely to be exceeded because there are few existing plans to improve sawmilling capacity or to make further investments in existing mills. And no increase in the growth rate of lumber production is planned for the next five years.

Moreover, a lion's share of the sawmilling capacity for imported logs is located in the coastal provinces where few opportunities exist for expansion. Imported logs can be converted at these sites; but as the capacity is exceeded, imported lumber will be in demand.

Chinese Market Unique

The primary market for wood products remains in the priority areas of China's economic development: capital construction, defense, industrial uses and transportation.

Wood usage patterns differ from the United States and other countries. Construction uses of wood do not tend to be in framing, but in window and door construction and concrete forming. Scaffolding also is made of lumber. Mining props and packaging account for the next two largest categories of consumption. Most construction is of concrete and brick.

Import Policy Largely Political

China's import decisions are largely political, motivated by the need to supply the materials for modernization in industry and agriculture and to slow the depletion of domestic reserves of timber.

Imports of wood must be approved by the State Planning Commission and must conform to national priorities in the State Plan. Demand outside the State Plan has a lower priority, but it is important for shaping long-range market development.

State policy dictates that reserves of foreign exchange be used judiciously, so barter is preferred to expenditures whenever possible. The primary factor determining source of imports is price. All requisitions to import wood from North America are consolidated under the China Timber Import Export Corporation for purchase approval.

Tariffs are imposed on wood products to discourage importation of processed commodities. Currently, tariffs range from 3 percent for rough sawn logs and cants, to 9 percent for rough green lumber, to 40 percent for planed or otherwise finished. Most veneers and plywood have tariffs of 12-30 percent.

In addition, unpublished product taxes imposed by the Ministry of Finance average about 10 percent of all forest product imports. Coupled with the published rates, these taxes make the total tariff obligation among the highest in Asia.

Competition Will Be Stiff

Although the NFPA/FAS study concludes that with aggressive marketing the United States could capture a 55-percent share, or 650 million board feet, of the Chinese lumber market, the competition will be strong.

Because of its proximity, the Soviet Union could be a major supplier to China. The two countries have signed an agreement on timber trade, according to a report in the Chinese news media. Since the agreement supposedly would provide for barter trade of unspecified commodities, it would require no use of foreign exchange. The agreement seeks to increase Soviet exports of softwood roundwood to 10 million cubic meters by 1990, a 500-percent increase from current levels.

Canada is the major competitor against the United States in China. Canada has increased its exports of softwood lumber to China and now accounts for over 85 percent of the import demand.

China and Canada have embarked on a number of agreements to improve their trade relationship in recent years, and the Canadian industry has been aggressively marketing in the country. The Canadian forest product industry is opening an office in China and recently signed a joint venture to build a model farm there.

Chile is the other major competitor. It supplies 7 percent of China's imports of roundwood.

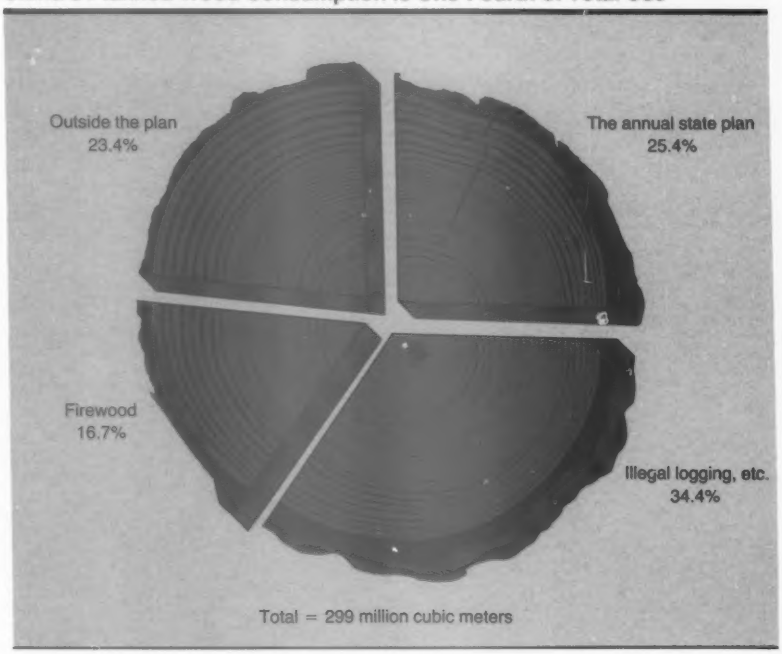
Study Recommends Three-Part Plan

The NFPA/FAS-sponsored study identified three objectives that need to be pursued in order to boost U.S. wood product exports to China:

—The industry must seek lower tariffs, particularly for finished products. This can be done, in part, by demonstrating to the Chinese the importance of importing these products in order to meet State goals.

By educating the Chinese about uses and qualities of U.S. products, the U.S. industry can encourage the use of wood in more applications and show the economic and quality advantages of using U.S. goods.

China's Planned Wood Consumption is One-Fourth of Total Use



—Markets must be targeted for promotion of converted products. Efforts should include developing and promoting sizes and standards currently acceptable to the Chinese. Efforts will be most successful if provincial corporations can be shown that imports of converted products can mean higher profits under China's limited plan for profit potential.

—Wood product acceptance should be encouraged through cooperative technical efforts. The current lack of products standards and the need for technical assistance provides an opportunity to introduce the Chinese to U.S. sizes, standards, grades, codes, designs and engineered structures.

Success Requires Long-Term Teamwork

Inroads into China will not come easily or quickly for the U.S. wood products industry. Because of the inherently political nature of China's industry, it will take time to build and maintain business relationships.

By being patient and adapting to the Chinese market, the U.S. wood products industry can look forward to a mutually profitable exchange. ■

This article is adapted, with permission, from a supplement to the National Forest Products Association's ***International Trade Report,*** *October 1986. Copies of the initial 700-page study, on which the publication was based, are available ($80 in the United States, $200 overseas and Canada) from NFPA, 1250 Connecticut Ave., N.W., Suite 200, Washington, D.C. 20036. Tel. (202) 463-2713.*

U.S. Leather Industry Finds Market Opportunities in Korea

By Elizabeth Berry and K. H. Ahn

Although the United States has trailed far behind Japan as a supplier of leather to Korea, that trend may be changing. Appreciation of the Japanese yen and Korean government policies encouraging a shift in the source of imports are providing an excellent opportunity for expanded sales of U.S. leather to Korea.

Korea is emerging as the leading supplier of leather goods to the world market and imports about $300 million worth of leather each year. That is higher than total U.S. leather exports to the world in 1985.

Currently, Japan supplies half of Korea's leather imports, while the U.S. share is less than 20 percent. However, most of Japan's supply of hides and other tanning materials must be imported—which makes them more expensive.

Although Korea has a limited supply of domestic hides, its tanning business has expanded rapidly, with production concentrated in leather for athletic shoes.

Leather Import Policy

A tariff of 20 percent on finished leather imports gives domestic tanners a significant advantage in the Korean market. However, tariffs charged on imported materials used for producing goods for export are routinely rebated.

Although in general Korea discourages imports of consumer goods, export-oriented manufacturing usually is not restricted by import controls which would make essential leather materials expensive or limit the range of materials available.

Korea Seeks Other Sources for Hides

Korea's tanning industry has grown fast enough to make Korea the world's

largest importer of hides. Today, imports supply about 12 percent of total leather use by volume, a higher share by value and 100 percent of requirements for many high-quality and specialty leather items.

Because Korea has a $5-$6-billion trade deficit with Japan, the government has identified leather as one product that could be bought from other sources. In fact, leather from sheep has been placed on a list of items which Korean importers may not buy from Japan.

On the other hand, the United States—with whom Korea has a favorable trade balance of $7-8 billion—has been identified as an alternative foreign supplier.

Although importers still are free to import bovine leather from Japan, manufacturers are being encouraged to buy these materials from the United States as well.

However, many manufacturers, whose loyalty to Japanese suppliers has been won by excellent service and attention to customers' needs, are reluctant to make the switch.

Even so, recent rapid appreciation of the yen versus the Korean won has made it increasingly difficult for Japanese suppliers to maintain competitive prices.

Improved Service Is the Key To Doing Business in Korea

Korean manufacturers praise the U.S. leather industry for its trimming of finished hides and for producing leather which holds its shape well. However, there are several areas of the leather business in which they feel U.S. tanners might improve their service. These include:

Responsiveness to changing styles. Willingness to rapidly adopt designers' and buyers' preferences concerning finish and color is important in doing business with Korean manufacturers.

Delivery Time. Quick delivery is critical—particularly for high-fashion leathers—since Korean manufacturers have to meet strict deadlines in delivering final products.

Quick claims settlement. Delays by U.S. exporters in settling claims is a frequent complaint.

Filling small orders. In supplying small quantities, the Japanese clearly outperform their competitors—including the United States.

Attention to the market. Businessmen who do well exporting to Korea generally spend quite a lot of time there promoting their products to endusers. Similar efforts on an industry level go a long way to support the efforts of individual exporters.

Market Opportunities for U.S. Leather

Here is a brief look at the market opportunities for U.S. leather products in the Korean market over the next several months.

Lambskin. This is a $60-million annual import market of which the United States supplied about $5 million in 1985. The main suppliers are France and the United Kingdom. Korean tanneries do not have the capability of processing lamb hides, which are used in garments, shoe uppers and vests. Further, the Korean government has placed leather from sheep in its formal "diversification" program, which encourages endusers to import.

Leather for car seats. As Korea's car export industry expands and diversifies, demand for car seat leather will increase. Reportedly, the United States is competitive with Japan for this type of leather.

Pigskin. Taiwan presently supplies most of the pigskin for Korea's footwear industry. However, as Taiwan's prices increase, manufacturers are looking for other sources.

Materials for casual and work shoes. Korea imports calfskin and soft (tumbled) leather for dressy casual shoes, and "nubuck" from cows or steers for work boots.

Materials for accessories. Korean accessory manufacturers are importing U.S.-finished South American crusts (a stage of finish) for their inexpensive product lines.

Garment leather. Lower grades of leather are purchased in large quantities and delivery time is not as critical as for high fashion leather. Tanners oriented to high volume manufacture should aim for this segment of the market. However, small, specialized tanneries willing to meet the needs of the high fashion industry could command top prices for their efforts.

Berry is the agricultural attache and Ahn is an agricultural specialist in the U.S. Embassy, Seoul.

Demand Strengthens for Korean Finished Leather

Korea's export leather products industry started in the 1960s with glove manufacture. Between 1974 and 1984, leather products exports increased by 30 percent annually, surpassing $2.3 billion in 1985.

Of this total, athletic shoes accounted for $1.5 billion; leather garments, $500 million; gloves, $150 million; accessories, $100 million; and shoes, $100 million. The United States is Korea's largest market, purchasing over half of its leather product exports.

Both domestic and export demand for Korean leather products increased during 1986. The growth in local demand reflects real GNP growth in the vicinity of 10 percent. Exports have been aided by the yen's revaluation, which has helped Korea compete with Japanese leather products.

Leather Industry Highly Concentrated

Korean leather goods manufacture is highly concentrated. The leather garment industry is dominated by about 14 manufacturers, while one manufacturer accounts for about half of total accessories production.

Large manufacturers tend to buy finished leather directly from both Korean and foreign tanneries. Some manufacturers also import raw hides for tanneries which they own, or for tanneries which produce leather for them on contract. Smaller manufacturers may rely on agents to supply them with leather.

Footwear Industry Leads in Growth

Korea produces about 300 million pairs of footwear annually—primarily for export. Sport shoes account for 80 percent of this total, while work and casual shoes comprise about 15 percent.

Manufacturers purchase most of their finished leather in January, February, July and August.

Although some U.S. importers specify that the shoes they buy be made of U.S. leather, Korean tanneries provide about 90 percent of the sport shoe industry's leather.

Imports Keep Garment Industry in Style

Korea's garment industry imports 70 percent of its finished leather in order to meet foreign buyers' style and quality requirements. While bovine leather is the most widely used, manufacturers are experimenting with other materials, including lambskin, which appears to be gaining in popularity.

November is a heavy purchasing season for the garment industry. A good deal of purchasing also takes place in February for spring manufacture.

The upscale end of the garment industry requires soft, dull-finished leather in a variety of colors, sometimes costing as much as $3 per square foot. Japan has been successful in supplying this market, due in part to the willingness of its tanners to adapt production facilities to the needs of the high-fashion leather garment industry.

Leather delivery time is critical in the high-fashion industry. Korean manufacturers often ship their products by air to meet deadlines with buyers. Delivery time is not quite as important for low-price, high-volume garment manufacturers, whose fashions change less frequently, allowing manufacturers to build up stocks. ■

Malaysian Palm Oil: The Golden Crop Loses its Luster

By Frank J. Tarrant

Few developing countries have matched Malaysia's success in developing its agricultural sector and evolving into an influential force in world commodity markets. Nowhere is this more evident than in the palm and vegetable oil sector.

In the past decade, Malaysian palm oil production has increased over two and one-half times. Exports have increased in tandem, to the point where Malaysian exports of palm oil exceed total world exports of soybean oil.

This situation has created a serious problem for U.S. soybean exporters. Increased exports of Malaysian palm oil—especially to South Asian markets—and lower prices have decreased demand for soybean products.

This has squeezed the United States out of the South Asian edible oil market and contributed to large stocks of U.S. soybeans. As a result, the direction of Malaysia's palm oil industry has strong implications for exporters of U.S. oilseeds, particularly soybeans.

A Volatile Future

During the past decade, Malaysian palm oil's performance has been impressive. However, during periods of 1985/86, relatively slack demand for edible oils combined with prices well below the costs of production, demonstrated that the future of Malaysian palm oil is volatile.

Malaysian palm oil production in 1985/86 reached 4.8 million metric tons, one-fourth more than a year earlier. Although the growth rate may slow somewhat in coming years, palm oil production is likely to expand about 300,000-350,000 tons annually for the next five years due to tree maturation and new plantings.

During periods of 1986, virtually all manufacturers produced at a loss. This is because it is impossible to adjust production quickly in response to low prices since fruit must be harvested monthly or the trees stop producing.

Local crude palm oil prices in October 1986 were about $192 per ton. Breakeven costs varied, but ranged from $175-220 per ton for many of the largest and most efficient estates. Since October, prices of crude palm oil have risen because of slowdowns in production.

The Federal Land Development Authority—a semi-governmental body that produces about one-third of the country's palm oil—had palm oil breakeven costs of $250-270 per ton. In January 1984, crude palm oil prices peaked at $906.

According to officials of the Palm Oil Research Institute of Malaysia, a minimum price of $470 per ton is required for the long-term viability of the industry.

Continued Low Prices Would Affect Several Areas

If lower prices continued for a sustained period of time, three areas would be affected.

—The economic viability of the Federal Land Development Authority would be threatened.

—The trend to convert rubber plantations to palm oil settlements would slow down. And,

—Growers might consider replanting old, less productive palm oil trees with other crops.

Presently, one large estate is considering replanting oil palm trees with rubber or coconut—crops which were once thought to have no future in Malaysia.

New Markets Are Necessary

Since domestic consumption is relatively small, almost all of Malaysia's palm oil is exported. Exports in 1985/86 exceeded 4 million tons for the first time and now constitute about one-fourth of the total vegetable and marine oils traded in international markets.

Nearly half of the world's increase in edible oil trade during the past five years is due to increased exports of palm oil from Malaysia.

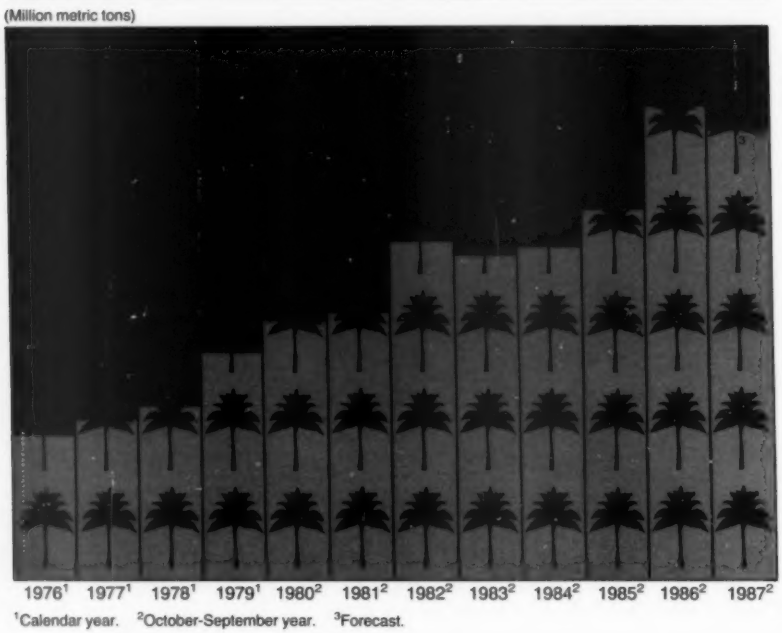
The next five years likely will prove to be more difficult, however. For the past decade, developing countries such as India and Pakistan have absorbed most of Malaysia's additional supplies. These countries now are trying to save foreign exchange and have aggressively encouraged the production of oilseeds to replace imports.

Many potentially large markets in developing countries, such as Africa, are faced with huge debt problems and are unable to buy edible oils. In many of these countries, per capita consumption of edible oils is declining.

Malaysian penetration of edible oil markets in developed countries historically has been spotty. Per capita consumption in these countries has leveled off, and often palm oil does not meet the stringent technical and quality requirements. Consequently, palm oil must be priced at a steep discount compared to other oils in order to compete.

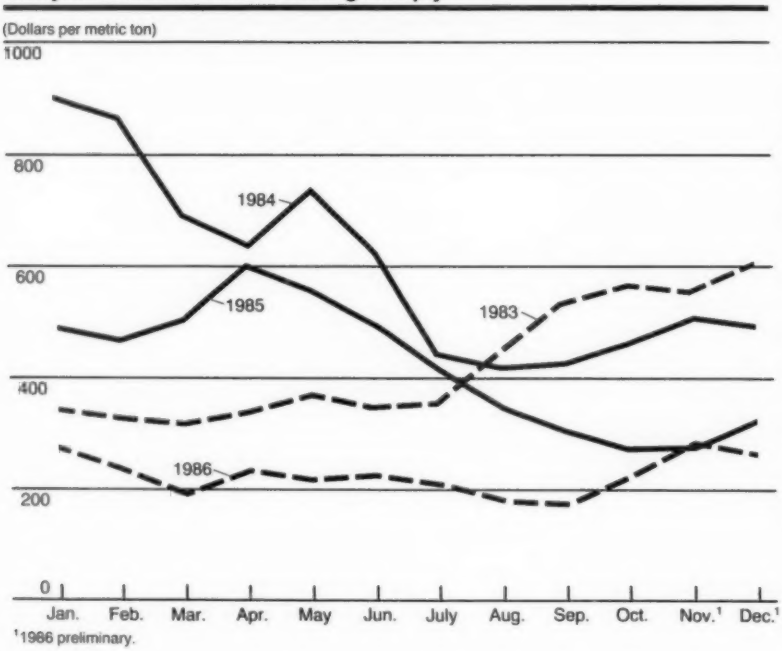
In addition, oilseed supplies in developed countries—particularly the European Community—continue to grow, making it more difficult for Malaysia to find a market for its oil.

Malaysia's Palm Oil Production Soaring Upward



[1]Calendar year. [2]October-September year. [3]Forecast.

Malaysian Palm Oil Prices Shifting Sharply



[1]1986 preliminary.

Challenges From Other Producers

Other palm oil producing countries, especially Indonesia, are challenging Malaysia's dominance in palm oil markets. Indonesia, with its abundant labor force, is becoming an important palm oil supplier.

Exports of Malaysian palm oil, therefore, will have to be made at lower prices and at a larger discount. This will cut into Malaysia's foreign exchange earnings.

Malaysia's increased external borrowing has created a rising debt ratio currently approaching 20 percent. This is significantly higher than the 12-percent level of only two years ago.

The only positive note is that palm oil prices bottomed out in September 1986 and are now on the rise. So, the worst may be over in terms of declining unit values and foreign exchange earnings from palm oil.

What Does the Future Hold?

Given the dismal prospects for commodity markets, it is difficult to envision a return to the days of the early 1980s when palm oil prices were two and three times production costs.

Unless substantive changes are made in reducing market support prices in excess of market clearing prices in major producing and exporting countries, surplus production, huge stocks and low prices likely will prevail in world agricultural markets.

Therefore, Malaysia will have to re-examine its ambitious palm oil expansion plans conceived in much more robust times.

Despite the problems in Malaysia's palm oil sector, the nature of the oil palm trees will prevent significant adjustment in production for the next several years. Consequently, the United States will continue to be confronted with increasing supplies of Malaysian palm oil at least until 1990. ■

The author is the U.S. agricultural attache in Kuala Lumpur.

Fact File

Fiscal 1986 Wrap-Up

U.S. Agricultural Exports

U.S. agricultural exports in fiscal year 1986 totaled $26.3 billion, down approximately 16 percent from the previous year. The export volume of 109.6 million metric tons was off 13 percent from the year before and was the lowest level since fiscal year 1977.

The most pronounced decline occurred in exports to China, where sales were off approximately two-thirds from the year before. This year's decline was due mostly to declines in wheat shipments. Sales to centrally planned countries plummeted by over 50 percent.

U.S. Agricultural Exports Decline In Fiscal 1986

Region	1985	1986	Change
	$ Bil.	*$ Bil.*	*Percent*
Western Europe	7.2	6.9	-4
EC	6.7	6.5	-3
Other	0.5	0.4	-18
Eastern Europe	0.5	0.4	-16
USSR	2.5	1.1	-57
Asia	11.9	10.5	-12
Middle East	1.5	1.2	-16
South Asia	0.6	0.5	-14
Japan	5.7	5.1	-10
China	0.2	0.1	-64
Southeast[1]	3.9	3.5	-10
Canada	1.7	1.5	-12
Africa	2.5	2.1	-17
North	1.2	1.4	13
Sub-Saharan	1.3	0.7	-44
Latin America	4.6	3.6	-21
Mexico	1.6	1.1	-29
Central & Caribbean	1.1	1.1	-4
South America	1.9	1.4	-25
Oceania	0.2	0.2	6
Total	31.2	26.3	-16
Developed Countries	15.2	13.2	-13
Less Developed Countries	12.7	11.5	-9
Centrally Planned	3.4	1.6	-52

[1]Southeast & East Asia combined.

Changes in Exports to Most Major Markets Were Mixed

Changes in the level of exports were mixed for all of the largest U.S. agricultural markets in fiscal 1986. Gains in exports were posted for the Netherlands, West Germany and Egypt, which in fiscal 1985 showed a decline. Although there were declines in U.S. sales to such key Asian trading partners as Japan and South Korea, these were significantly less than those reported for the previous year. After near-record sales of $2.4 billion to the USSR in fiscal 1985, sales for 1986 were less than half that amount.

Changes in Exports to Most Major Markets Were Mixed

Market	1985	1986	Change
	$ Bil.	*$ Bil.*	*Percent*
Japan	5.7	5.1	-9
Netherlands	1.9	2.0	7
Canada	1.7	1.5	-14
South Korea	1.4	1.3	-9
Mexico	1.6	1.1	-29
Taiwan	1.3	1.1	-17
USSR	2.4	1.1	-56
West Germany	0.9	1.0	11
Egypt	0.8	0.9	12
Spain	0.8	0.7	-7

The Top 10 Exports

Soybeans became the No. 1 export commodity for U.S. agriculture in fiscal 1986. Shipments rose 8 percent over the year before, surpassing corn. Livestock and products and wheat were in second and third place, respectively, with livestock up by 7 percent but wheat falling 22 percent from the previous year.

Soybean cake and meal sales surged 32 percent—the largest single gain in export value for this year. Feed and fodder exports also were up, posting a 29-percent gain. Smaller but significant gains also were reported for horticultural products, sugar and tropical products.

On a volume basis. sunflowerseeds and cotton registered the most pronounced declines in fiscal 1986, in part due to increasing competition from lower cost producers. Corn and wheat export volumes also declined, reflecting a decrease in worldwide demand and an increase in the number of exporting countries.

Soybeans Lead Top 10 Export Products in Value

Commodity	1985	1986	Change
	$ Bil.	*$ Bil.*	*Percent*
Soybeans	3.9	4.2	8
Livestock & products	3.3	3.5	7
Wheat & products	4.4	3.5	-22
Corn[1]	5.8	3.3	-43
Horticultural products	2.6	2.7	2
Tobacco	1.6	1.3	-17
Feed & fodders	1.0	1.2	29
Soybean cake & meal	0.8	1.1	32
Sugar & tropical products	0.8	0.8	2
Cotton & linters	2.0	0.7	-65

[1]Excludes products.

Corn and Wheat Lead Top 10 List in Volume

Commodity	1985	1986	Change
	Mil. MT	*Mil. MT*	*Percent*
Corn[1]	46.3	31.1	-33
Wheat	28.5	25.5	-11
Soybeans	16.6	20.1	21
Feed & fodder	6.4	8.2	29
Soybean cake & meal	4.5	5.5	22
Horticultural products	2.7	2.7	3
Rice	2.0	2.2	10
Animal fats	1.2	1.3	11
Wheat flour	0.8	1.1	44
Soybean oil	0.8	0.6	-25

[1]Excludes products.

Top 10 Markets' Purchases of Leading Commodities

($ million)

Country	Corn	Soybeans	Livestock	Horticultural Products	Wheat & Flour	Cotton	Tobacco	Feed & Fodders	Soybean Cake & Meal	Sugar & Tropical Products
Japan	982	860	988	583	440	225	293	186	9	71
Netherlands	19	645	63	76	55	—	80	676	247	25
Canada	24	24	205	594	6	22	2	47	121	154
S. Korea	134	199	462	13	268	146	3	4	7	11
Mexico	182	185	279	45	—	3	—	12	18	19
Taiwan	289	324	199	49	98	19	61	10	0	12
USSR	669	313	17	51	19	2	6	0	0	1
W. Germany	5	202	69	175	1	40	205	98	123	34
Egypt	157	9	93	2	230	35	56	1	37	5
Spain	179	314	51	23	1	8	63	16	14	7

— Less than $500,000.

U.S. Agricultural Imports

U.S. agricultural imports hit a record high of $20.9 billion in fiscal 1986, up 5 percent from fiscal 1985. Coffee accounted for one-fourth of total U.S. agricultural imports. All other import categories declined in value except for spices, which held steady with 1985, and dairy products and wines and beverages, both of which registered slight increases.

Horticultural Products, Coffee Are Top Imports

($ billion)

Commodity	1985	1986
Competitive		
Fruits, nuts & veg.	3.5	3.5
Meat & products	2.2	2.2
Wines & malt beverages	1.6	1.8
Sugar & products	1.3	0.7
Dairy & poultry prod.	0.9	1.0
Oilseeds & prods.	0.8	0.6
Live animals	0.6	0.6
Tobacco, unmanufactured	0.6	0.6
Other animal prod.	0.5	[1]
Other competitive products	1.1	1.3
Total competitive	12.9	13.1

Commodity	1985	1986
Noncompetitive		
Coffee, green & processed	3.2	4.4
Cocoa beans & prod.	1.3	1.2
Rubber & gums	0.7	0.6
Bananas, plantains	0.8	0.7
Tea	0.2	0.1
Spices	0.3	0.3
Other noncompetitive products	0.4	0.4
Total noncompetitive	6.8	7.8
Total imports	**19.7**	**20.9**

[1]Data unobtainable at press time.

The import value for fiscal 1986 was 17.1 million tons, up 2 percent from fiscal 1985. Bananas remained the biggest import item, accounting for about 14 percent of the volume of U.S. agricultural purchases. Sugar, coffee and meat products ranked 2, 3 and 4, respectively, on the import list.

Bananas and Sugar Are Top Volume Imports

(Thous. MT)

Commodity	1985	1986
Competitive		
Sugar, cane & beet	2,328	1,968
Meat & meat products	1,124	1,134
Tomatoes, fresh	374	422
Tobacco, unmanufactured	191	208
Cheese	135	134

Commodity	1985	1986
Noncompetitive		
Bananas & plantains	3,022	3,018
Coffee & prod.	1,128	1,223
Rubber & gums	799	801
Cocoa beans & prod.	539	507
Spices	98	162
Tea	81	89

The U.S. agricultural trade balance amounted to $5.4 billion in fiscal 1986, down more than 50 percent from the previous year. The 6-percent increase in imports further reduced the agricultural trade surplus to its lowest level since fiscal 1977. However, despite this drop, the U.S. agricultural trade balance is positive, in sharp contrast to the overall U.S. trade balance.

Agricultural Trade Surplus Falls

($ billion)

	1985	1986
Exports	31.2	26.3
Imports	19.7	20.9
Trade surplus	11.5	5.4

Top-Quality U.S. Dairy Cattle Head for Foreign Lands

By Patricia Kiefer

Two by two they boarded the *Alondra*, a ship destined for Venezuela in the autumn of 1986.

They were not your usual passengers headed for a Caribbean cruise, but some 1,336 top-quality heifers in what was then the largest U.S. shipment of cattle sold to foreign buyers from the Dairy Termination Program herds since the program was first announced in February 1986.

First of its Kind

Created to reduce milk production and the surplus in dairy goods which have grown to astronomical proportions in the United States, the Dairy Termination Program is the first program of its kind in the country's history where whole herds must be slaughtered or exported.

Thus, some cattle of superior genetic quality are available to foreign buyers at reduced prices.

Under the program, dairy farmers must commit their whole herds for slaughter or export. In exchange, the U.S. Department of Agriculture pays the dairy farmer for a year's production based on the individual's history of milk marketings and the producer's offered bid to cease production.

In all, there are three disposal periods. The first one ran from April 1 to Aug. 31, 1986; the second, from Sept. 1, 1986, to Feb. 28, 1987; and the last one, from March 1 to Aug. 31, 1987.

Approximately 14,000 farmers signed up for the program, encompassing more than 1.5 million cows, calves and heifers.

Holstein is the dominant breed, accounting for about 90 percent of the dairy cattle covered by the termination program. The remainder consists mainly of Brown Swiss, Jersey, Gernsey and Ayshire cattle.

As of Jan. 16, 1987, approximately 930,000 cattle had been slaughtered and 50,000 exported. The major recipients were Mexico, Canada, Venezuela and Ecuador.

Financial Assistance for Farmers

Two federal programs that help promote the export of dairy cattle under the program have been implemented by the General Sales Manager of USDA's Foreign Agricultural Service (FAS).

The Export Enhancement Program (EEP), announced in May 1985 and extended through 1990 by the Food Security Act of 1985, uses commodities owned by the Commodity Credit Corporation (CCC) as export bonuses to make U.S. commodities more competitive in the world marketplace.

For U.S. dairy exporters, the Export Enhancement Program helps them compete more effectively with their European counterparts by using CCC stocks as in-kind payment to exporters.

As of Jan. 16, 1987, nine EEP initiatives had been announced covering 52,500 dairy cattle for export to markets in North Africa, the Middle East, the Persian Gulf and Asia; some 23,000 head had been sold.

Another program that aids U.S. dairy farmers is the GSM-103 Intermediate Credit Guarantee Program. The program provides protection to U.S. exporters against default by foreign banks when purchases of U.S. commodities are made on a 3- to 10-year loan basis.

GSM-103 is designed to help developing countries make the transition from concessional financing to cash purchases.

The program should be particularly useful in financing dairy cattle exports. It covers the costs of both the cattle and the freight charges for breeding animals.

Because the program was announced late in fiscal year 1986, participation was limited. However, higher expectations exist for the current fiscal year that ends Sept. 31, 1987. As of mid-January 1987, the GSM-103 program was targeted at 18 countries for a total of $227 million in credit guarantees.

Transport and Health Requirements

The transport of animals is an important part of the export business because requirements for both air and sea shipments must be met before health inspection certificates will be issued. Moreover, for air travel there is a two-hour time limit from the moment the animals are loaded until takeoff. If this time frame is exceeded, the heat buildup can be lethal to the animals.

USDA's Animal Plant and Health Inspection Service provides services and information on the health and export requirements of shipping animals to overseas markets.

For this information, contact your state department of agriculture or write to: Animal Plant and Health Inspection Service, U.S. Department of Agriculture, Room 320-E, Administration Building, Washington, D.C. 20250. Tel. (202) 447-5193.

Major U.S. Ports of Departu

Major U.S. ports approved for ocean transport of dairy cattle include Richmond, Miami, Tampa, New Orleans, Houston, Brownsville, Los Angeles, San Francisco, Portland, Seattle and Honolulu.

The large shipment sent to Venezuela was shipped from Tampa and arrived five and a half days later at Caracas. Only two animals were lost en route, both succumbing to pneumonia. Before year's end, three more shipments, totaling more than 1,000 head each, were bound for Venezuela.

In addition, a shipment of 500 head went to Honduras. Another 6,000 head are ticketed for Egypt. The Egyptians have requested that shipments be made at approximately two-month intervals.

When transporting by ship, food requirements must be taken into consideration. The daily menu per 1,000-pound animal is 15 pounds of hay, three pounds of protein meal and plenty of water.

How To Get Help in Exporting

The General Sales Manager has established a special office to coordinate the program's activities and to assist in the export of dairy cattle under the Dairy Termination Program.

For more information contact: L. Ben Thompson, Coordinator, Dairy Termination Program, Office of General Sales Manager, Foreign Agricultural Service, U.S. Department of Agriculture, Room 5552, South Building, Washington, D.C. 20250. Tel. (202) 382-9229.

For those involved in exporting live animals, a reference manual is available on request from the Animal Air Transport Association, Inc. The book offers advice on livestock transport companies, transport procedures, insurance and health requirements.

The manual can be obtained from the Animal Air Transportation Association, P.O. Box 55500, Fort Washington, MD 20744. ■

Country Briefs

Bolivia

New Policy Could Benefit Processed Food Imports

Significant changes in Bolivia's trade policies since a new government took office in August 1985 represent a real improvement for U.S. exporters of processed food. Previously, import duties varied widely and import permits were required for many agricultural commodities. Now Bolivia's import policy is transparent—virtually all commodities are charged 20 percent ad valorem and no import licenses are required. Duties in the past for high-value products were around 50 percent and there was often a scramble to obtain import licenses.

The few exceptions to the new policy are wheat, which has no duty but is still imported by the Ministry of Industry and Commerce, and rice and sugar, for which imports remain prohibited. The 20-percent import duty also was extended to agricultural inputs, such as fertilizer, insecticides and machinery. Farmers have protested this change, since the duty applying to these items formerly was only 2 percent.

On the export side, traders now are given pesos by the Central Bank in exchange for earned hard currency at an exchange rate nearly equal to the financial market rate. Under the former government's policy, exports were paid in pesos at an exchange rate only a fraction of the true value of the dollars they earned, which they had to turn over to the Central Bank. Another fundamental export policy change was the elimination of the CERTEX, whereby exporters received tax refunds based on the value of their exports.—*Kenneth L. Murray, Agricultural Attache, Lima.*

China

Dairy Expansion Creates Markets for Breeding Stock

China's dairy sector continues to expand at double-digit annual rates. During 1980-85, the number of dairy cows more than doubled while fluid milk output nearly doubled. China's dairy herd probably surpassed 1.6 million head by mid-1986. China's latest five-year plan calls for a 5-million-head herd by 1990. Milk production reached 2.5 million tons in 1985—14 percent above year-earlier levels. Output of industrially processed dairy products, 75 percent of which was dry milk powder, totaled 160,000 tons. The target for 1990 is 250,000 tons.

To maintain the momentum of China's dairy sector growth, various city and provincial governments instituted producer and/or consumer price increases during 1986. (Milk prices had been essentially unchanged for 10 years and because feed prices had gone up, profit margins were being squeezed. As a consequence, herd reductions were reported in some of China's larger cities.) The price increases are expected to revitalize interest in dairying by specialized and individual households where financial benefits are closely scrutinized.

China will continue to import breeding stock—up to 5,000 head of Holstein-Friesian bred heifers a year—in the foreseeable future. However, competition in the market is increasing as China has expanded the number of bilateral veterinary protocols with exporting countries. Chinese officials are pushing for joint venture dairy operations, although in most cases problems with repatriating foreign exchange remain a major deterrent.—*Dave Schoonover, Agricultural Counselor, Beijing.*

Egypt

U.S. Cattle Have Role To Play in Dairy Industry Development

The Egyptian dairy sector is struggling to develop itself under difficult conditions. But there are several serious constraints to larger production. For example, with only 5.5 million acres of arable land, Egypt is a country without pastures. Therefore, the dairy sector (and other livestock and poultry industry) is entirely dependent upon forage and feeds produced locally or imported. Availability of feed supplies is often erratic.

Production is also hampered by the scarcity of trained managers and lack of adequate infrastructure. Although a number of large public and private sector dairies exist, the majority of milk produced in Egypt comes from farms with only one or two animals. A lack of adequate expertise, refrigeration and collection and processing facilities is slowing development of a modern dairy industry.

Finally, brucellosis and other bovine diseases are rampant in Egypt. These diseases are holding down yields and contributing to high animal death rates. Although Egyptian animal health requirements prohibit imports of animals from countries or states infected with brucellosis, in the past thousands of infected animals were imported from Europe. The government has stopped issuing import licenses for most of Europe, except the United Kingdom and Denmark.

U.S. dairy cattle—some 6,000 head of good quality Holsteins imported under USDA's Export Enhancement Program—figure importantly in expansion plans for the Egyptian dairy industry. If these U.S. animals can be placed with trained managers and can be kept disease-free, milk production should increase, even with less-than-ideal feed supplies and quality.—*Gerald W. Harvey, Agricultural Counselor, Cairo.*

France

Market for Breakfast Cereals Showing Sharp Growth

The French breakfast cereal market, although still small compared to other European countries, has been growing rapidly in recent years and is expected to reach 50,000 tons by 1990. While per capita consumption remains small, only 285 grams yearly, total consumption doubled between 1984 and 1986, rising from 10,000 to 20,000 tons.

Most of the breakfast cereals consumed in France are imported, at this point mainly from West Germany. The favorite cereal, with about 40 percent of the market, is muesli. Sweetened cereals represent about 30 percent of the total, corn flakes, 20 percent, and non-sweetened cereals the remaining 10 percent.—*Ernest Koenig, Agricultural Counselor, Paris.*

Hong Kong

Government To Ban Tobacco Ads on Television

The Hong Kong government will impose a total ban on tobacco advertisement on television by 1990. The tobacco industry and the television stations will, however, be given a grace period since the ban will be imposed in stages. The industry will continue to be allowed to advertise through other channels, such as the print media.

The decision to ban tobacco ads followed months of debate and speculation over the probable new policy. Present laws impose a 4:30 p.m. to 6:30 p.m. ban on tobacco advertising on television. The government currently has the authority to extend this period thorugh a simple amendment to the law, and to control content of advertisements through a code of practice.

Increased restrictions on tobacco advertising are expected to be written into the new television licenses when existing franchises expire in December 1988. It is believed that the government will carry out a comprehensive review after the first stage of the phase-out.

The decision to ban tobacco advertisements on television follows the new set of anti-smoking laws which came into full effect in 1984. The anti-smoking laws implemented so far are considered to have had only a marginal effect on total consumption. Cigarette consumption in Hong Kong has been stagnant in the past two years, more as a result of an increase in duties on cigarettes and tobacco rather than the implementation of anti-smoking laws. The anti-smoking campaign, however, may arouse the health consciousness of smokers and non-smokers in the long run. One tobacco company indicated in 1985 that they might slash cigarette prices if a total ban on television advertising was imposed. Others said they probably would increase their spending on other forms of media advertising.

Hong Kong imported approximately US$242 million worth of cigarettes in 1985, of which about 75 percent came from the United States.—*Michael L. Humphrey, Agricultural Officer, Hong Kong.*

Japan

Market for U.S. Chopsticks Shows Promise

Lakewood Industries of Hibbing, Minn. began exporting disposable chopsticks to Japan this year. The new company will produce the sticks from the area's abundant aspen trees. Projected first-year revenues run up to $8 million. The firm already has sold its first five years of production to three suppliers of chopsticks to Japanese restaurants, who have been unable to obtain enough sticks from Asian manufacturers.

The sticks will be shipped out of the United States from Seattle to Japan's Kobe Port. The Japanese market for disposable chopsticks is 20 billion pair per year. Lakewood will manufacture 65 to 80 million disposable chopsticks a year, or 5 to 6 million chopsticks a day when at full capacity.

The Netherlands

Declining Dollar Spurs Fiberboard Sales

Medium-density fiberboard, virtually unknown in Europe a decade ago, now is in such demand that European production cannot meet current needs. As a result, prices for medium-density fiberboard produced in Europe have risen sharply at the same time that the value of the U.S. dollar has declined. This is creating a market for U.S. medium-density fiberboard.

The Dutch furniture industry uses medium-density fiberboard as a substitute for hardwood lumber, particularly in the production of kitchen cupboard doors and table and desk tops. A shift in Dutch fashion away from heavy dark oak furniture to lighter colored products has been a big factor encouraging greater use.

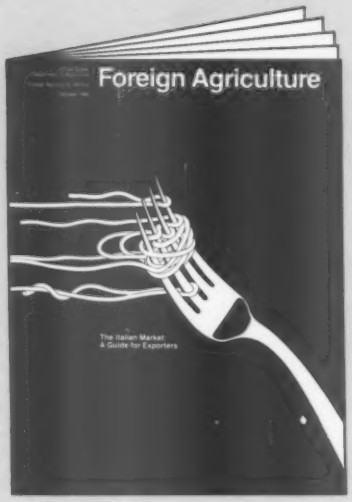
U.S. exports of medium-density fiberboard were expected to have increased from practically zero in 1985 to 150-200 cubic meters in 1986. Sales in 1987 will reflect what happens to the U.S. dollar. Should it increase in value, U.S. trade could drop off rapidly. Medium-density fiberboard is a fairly expensive product in itself and must also compete with other forest products such as oak.—*John E. Montel, Agricultural Counselor, The Hague.*

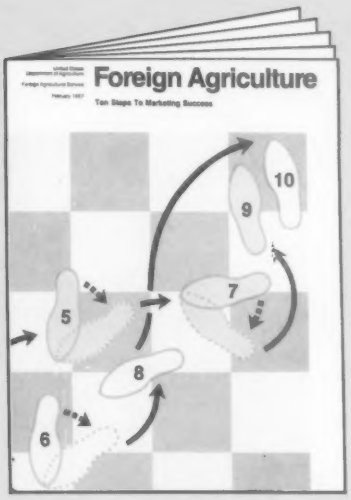
Taiwan

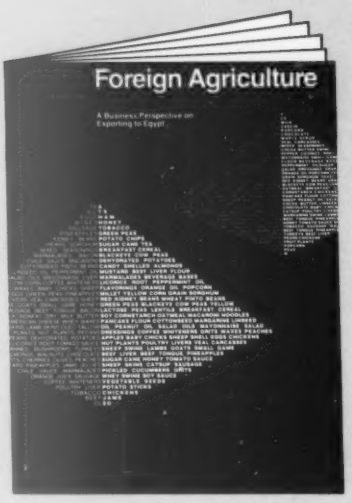
Market for High-Quality Imported Grapes Grows

Improved living standards in Taiwan—current per capita income is about US$3,000 and the economic growth rate over the past decade has been about 8.5 percent annually—are encouraging larger imports of high-quality grapes. In fact, grapes are now second only to apples in terms of the value of Taiwan's fruit imports. The United States provided roughly four-fifths of total grape imports in 1985. U.S. sales are expected to continue growing, although competition is also growing from such suppliers as Chile, Japan and Australia.

Most of the grapes imported are for fresh consumption, and the level of imports is clearly affected by Chinese holidays. Taiwan's customers prefer red grapes to green ones. Black grapes are not well-accepted because the dominant local variety is also black. The Emperor grape is the most popular U.S. variety because of its firmness and long shelf life (most retailers have no refrigeration equipment). Other popular varieties are Queen and Red Globe. The smaller seedless grapes, which are difficult to peel (local consumers usually peel their grapes), are not especially popular at this time, although their long-term market outlook is bright.—*John T. Hopkins, Agricultural Section, American Institute in Taiwan, Taipei.*







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